



DFAS-HQ/FMM

DEFENSE FINANCE AND ACCOUNTING SERVICE

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MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- DENVER CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- INDIANAPOLIS CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- KANSAS CITY CENTER
PROGRAM MANAGER, DEFENSE JOINT MILITARY PAY SYSTEM

SUBJECT: Department of Defense Financial Management Regulation,
Volume 7, Part C (DoDFMR, Vol. 7C), Procedures
for In-Service Debt Collection (Automated DD-139)
(Item F-95)

This is Interim Change Number C2-97 to the DoDFMR, Volume 7C. It is effective with the implementation of system changes.

We have evaluated your comments on the draft change, Item F-95, Centralized Processing of Involuntary Withholding of Members Pay for the Services' Exchange Commands. The attached interim policy change includes your comments where appropriate.

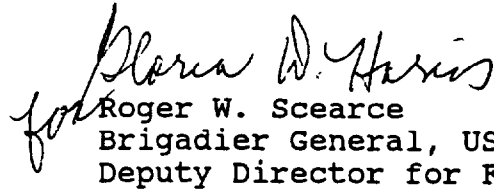
This interim change supports in-service pay deductions for involuntary offsets for Army and Air Force Exchange Service (AAFES); Navy Exchange Command (NEXCOM); and Marine Corps Exchange Command debts. Involuntary offsets are the results of debts from dishonored checks and delinquent credit plan enrollments.

Included in this change package is a systems overview section. It should be used as guidance for implementing the automated debt (DD 139) pay deduction process. This policy change will affect military active duty, reserve, national guard and retired pay operations and systems. It will require the Exchanges to centrally process and electronically feed pay system, DD-139 data on a monthly basis. Their input will reduce disposable pay for purposes of liquidating outstanding debts. After processing, DFAS will send EFT payments to the Exchanges' central processing locations. The Defense Joint Military Pay System (DJMS), Marine Corps Total Force System (MCTFS) and Defense Retiree and Annuitant Pay System (DRAS) are the applications designated to accept this electronic feed.

Within 30 days from the date of this memo, the DJMS Program Manager, the Deputy Director for Finance Operations, Cleveland Center; and the Deputy Director for Finance Operations, Kansas City Center should submit a plan for bringing their systems into

compliance with this policy. Include in your submission a copy of the System Change Request (SCR), implementation dates and resource requirements. The Denver Center should use the attached to initiate the formal printed change to the DoDFMR, Volume 7, Part C.

My action officer is Ms. Pat McGriff. She may be contacted by calling DSN 327-5062 or (703) 607-5062. Our FAX number is DSN 332-5271 or (703) 602-5271.


for Roger W. Searce
Brigadier General, USA
Deputy Director for Finance

Attachment:

As stated

cc: DASD (MPP) (COMP)
DGC (F)
DFAS-HQ/DG
DFAS-DE/DG
Service Liaisons
USCG/NOAA/PHS Liaisons
DJMS PMO
DRAS

1. Add new chapter 8 to read as follows:

"CHAPTER 8 - CENTRALIZED PROCESSING OF INVOLUNTARY WITHHOLDING OF MEMBERS PAY FOR THE SERVICES' EXCHANGE COMMANDS"

0801 GENERAL PROVISIONS

080101 AUTHORITY: 37 U.S. Code 1007(c). "Under regulations prescribed by the Secretary concerned, an amount that a member of the uniformed services is administratively determined to owe the United States or any of its instrumentalities, may be deducted from this pay in monthly installments. However, after the deduction of pay forfeited by the sentence of a court-martial, if any, or otherwise authorized by law to be withheld, the deductions authorized by this section may not reduce the pay actually received for any month to less than one-third of the pay."

080102 PURPOSE: This chapter provides the policy and procedures for collecting in-service debts for Army & Air Force Exchange Service (AAFES), Navy Exchange Command (NEXCOM), and Marine Corps Exchange Command; referred to as "The Exchange Commands". It applies when active duty, reserve and retired military members are delinquent in repayment of a dishonored check or in their credit plan. Through an automated DD-139 process, DFAS will deduct payment from these members.

080103 POLICY: When an officer, enlisted or retired member is indebted to a Service Exchange, under the authority of 37 U.S.C. 1007(c), the creditor agency (AAFES, NEXCOM and Marine Corps Exchange) may forward to DFAS such determination. DFAS shall honor their request based on certification from the creditor that they complied with appropriate debt collection procedures noted in DoDFMR 7A, para. 500104. (Collections Under 37 U.S.C. 1007(c) - Other Than Routine) and 7B, Part 6, Chapter 2. Under debt collection procedures, if restitution has not been made within 60 days after the first notice is sent to the member, the crediting agency may submit collection action to DFAS. Upon applying the rules of "precedence of pay deductions and collections" noted in DoDFMR 7A, Table 52-1, DFAS shall initiate the pay deduction.

080104 APPLICABILITY AND SCOPE:

A. These procedures apply to the pay of Army, Navy, Air Force, and Marine Corps members serviced by the Defense Joint Military Pay System (DJMS), the Marine Corps Total Force System (MCTFS) and the Defense Retiree and Annuitant Pay System (DRAS). It supports Exchange Service debts.

B. DFAS shall collect the amounts requested on monthly submissions, as long as the monthly amount does not exceed two-thirds of the member's disposable pay, which include amounts collected under 5 U.S.C 5514. Monthly collection amounts are reduced when the pay due a member is not sufficient to cover authorized deductions or collections. Debt collection is restricted by the sequence presented in the DoDFMR, Volume 7A Chapter 52, Table 52-1, Priority of Deductions and Collections.

C. Implementation of this policy will coincide with the implementation of required systems changes.

080105 GENERAL PROCEDURES:

A. Exchange Commands must certify that members were provided due process in accordance with DoDFMR, Volume 7A, Paragraph 500104A and Table 50-5. Due process involves trying all means for direct collection from members by sending demand letters to the member and notifying the member's unit commander, if appropriate, for assistance in obtaining direct payment. Exchange Commands must maintain "due process" documentation (demand letters) on individual delinquent debt accounts. This documentation constitutes certification.

B. Under provisions of DoDFMR, Volume 7A, any portion of the debt remaining uncollected at the time of the member's separation shall be collected from the member's final pay and allowances.

C. Exchange Commands may collect delinquent debts at a maximum deduction rate of two-thirds of the disposable pay.

D. Exchange Commands will advise members of the potential for maximum deduction on delinquent accounts, upon enrollment in their credit plan. Conversely, DFAS or field offices are responsible for protecting one-third of the disposable pay.

E. DFAS or field finance offices may override the debt amount by inputting a transaction to change the deduction. This applies in cases where the repayment amount does not leave the member with the amount required to comply with the statutory one-third prescribed by law.

F. DFAS or field finance office will continue to answer member inquiries regarding the retiree account statement and the leave and earnings statement on how Exchange debt transactions are reflected on these statements.

080106 CERTIFICATION:

A. Exchange Commands will agree to handle telephone inquiries from members concerning their debts and deduction amounts.

B. Exchange Commands will agree that no deduction will be made for a dishonored check written by a dependent without consent of the member.

C. Exchange Commands will use a listing of basic pay rates plus income data received from the member to determine the amount that is equal to or less than two-thirds of the member's pay.

D. Once a member separates from active duty or if retired pay is suspended, any uncollected amount will be returned to the Exchange Commands for collection.

E. Exchange Commands are responsible for overpaid debts. Once determined that a member has overpaid a debt, the Exchange Commands will immediately issue a refund to the member for the overpayment.

F. Exchange Commands will honor the agreement in cases where members voluntarily agree to repay the debt. If the member voluntarily repays the debt (off-line), the Exchange will cancel the offset request and notify DFAS immediately.

G. Exchange Commands will for audit purposes, maintain and insure the availability of all documentation pertaining to these debts.

080107 SYSTEM OVERVIEW:

A. Once Exchange Commands determine that collection action is necessary, they will transmit a monthly update transaction requesting a pay deduction. The input should be applied to the pay account in the appropriate sequence (see Priority of Deductions and Collections).

B. DFAS will provide the Exchange with new basic pay rates or other pay data as it becomes available.

C. During a processing month, Exchanges will submit the electronic pay adjustment transaction, with name, SSN, total debt and that month's deduction amount. Exchanges will submit this electronically in time to include in the payment processing update.

D. The Exchange's input will identify balance due and monthly collection amounts. If debt is collected off-line after submitting the input, then the Exchanges will be responsible for the refund.

E. If the deduction amount input by the Exchange is greater than two-thirds, DFAS or field finance offices may change the deduction amount or return the debt to the exchange to process. After the deduction is processed, DFAS will notify the Exchange Command of any adjustments.

F. The Exchange Command will manage the entire debt amount internally. As such, they are responsible for notifying members of the debt balances and encouraging them to voluntarily submit payments. DFAS will provide management notices (listing) to servicing finance offices, if applicable, which identify member's pay accounts to which the deductions are charged.

G. Rejects are downloaded to Exchanges after each update. Exchanges will be required to work their rejects on a daily basis.

H. At the end of each processing month DFAS Centers will wire transfer the amounts deducted via electronic funds transfer (EFT) to a central processing location for each Exchange Command identifying the affected members.